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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo, Serbia and Montenegro since 1 April 2003.

II. Functioning democratic institutions

2. UNMIK continued to transfer non-reserved responsibilities listed in chapter 5 of the Constitutional Framework to the Provisional Institutions of Self-Government. The transfer of these responsibilities is being carried out at a pace that takes into account the capacity of the Provisional Institutions to assume additional responsibilities. The Transfer Council — set up by UNMIK and the Provisional Institutions to oversee, monitor and coordinate the transfer process — held its first meeting on 8 April and established three working groups on finance, recruitment and logistics; technical assistance; and monitoring and intervention. In the second meeting, on 28 May, the members agreed to the transfer of 19 non-reserved competencies, with a further 17 to be transferred as soon as the Provisional Institutions have the capacity to assume them. The Transfer Council also agreed to return eight competencies to its three working groups for further consideration. Kosovo Serb representatives did not participate in either meeting of the Transfer Council.

3. The Government of Kosovo took 27 policy decisions, including 12 related to legislation, from 1 April to 16 June 2003. This is a slight increase in the average number of policy decisions per month relative to the first three months of 2003 and a significant increase in the proportion of those having legal implications. The Government also established a Commission for Cooperation with the International Tribunal for the Former Yugoslavia. An increasing number of governmental policy decisions are prepared by Kosovo civil servants and coordinated through the weekly meetings of the Permanent Secretaries, now all Kosovo civil servants, or through ad hoc or structural inter-ministerial working groups. As the involvement in the decision-making process becomes more inclusive and transparent, there is a higher degree of ownership by the Kosovo civil servants in the decisions taken. However,

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approximately half of the items on the government agenda continued to lack fundamental background documentation or contained documentation in only one of the official languages, namely Albanian. Government ministers have, however, been increasingly proactive in explaining the laws and their purpose to the relevant Assembly committees. Inter-ministerial communication and coordination has improved with the setting up of two Inter-Ministerial Working Groups on Gender Equality and Disabilities by the Office of the Prime Minister.

4. The Assembly of Kosovo has held nine plenary meetings since 1 April, with all political groups present. The Kosovo Serb caucus — Coalition Return (KP) — participated in all the plenary meetings. However, Coalition Return members walked out of a plenary session on 15 May during the discussion on the resolution on "war values". They returned for the rest of the session after the resolution was passed. Coalition Return also left the 5 June Assembly session in protest of the triple murder on 4 June of elderly Kosovo Serb residents in Obilic municipality, although it has since decided to continue its participation in the Provisional Institutions.

5. The Assembly made progress in adopting and forwarding legislation to my Special Representative for promulgation. The four laws, which had been returned to the Assembly for revision since they were not fully compliant with resolution 1244 (1999) and the Constitutional Framework, have been promulgated. Two of the four laws — on external trade activity and on telecommunications — were revised by the Assembly to take into account the changes required by UNMIK, following consultations between UNMIK and the Assembly in accordance with a special procedure suggested by the Assembly President. The remaining two laws — on higher education and on public financial management and accountability — were promulgated with adjustments introduced under the authority of my Special Representative. The Assembly had previously adopted a draft law on education, which did not include compromise language addressing minority rights in the field of education recommended by a special panel that had been seized of the matter in accordance with the Constitutional Framework (see S/2002/1126, para. 4, and S/2003/421, para. 5). The Law on Higher Education, as promulgated by my Special Representative, now contains a section reflecting the recommendation of this special panel. The Government has undertaken to implement all these laws, including those with changes introduced by UNMIK. The Kosovo Assembly adopted six other laws in 2003, although one is deemed to be outside its area of competence, that is, on immovable property taxes. My Special Representative has promulgated a total of nine Assembly laws so far this year. The Assembly, in a special procedure, also reviewed and agreed to the Provisional Criminal Code and the Provisional Criminal Procedure Code, which, as reserved competencies, will be issued as UNMIK Regulations.

6. On 15 May, however, the Assembly endorsed a controversial resolution on the liberation war of the people of Kosovo for freedom and independence. My Special Representative issued a declaration stating that the text of the resolution was divisive and contrary to the spirit of resolution 1244 (1999). In addition, following consultation with my Special Representative, the hosts of three international meetings withdrew invitations to attend these meetings, which had previously been extended to the Provisional Institutions. On 24 April, the Assembly also discussed and endorsed an initiative that instructed an "appropriate body" to draft a law on elections, even though election matters are outside its competence.

7. The functional committees of the Assembly also held regular meetings. The newly established Media Committee elected a chairperson from the Kosovo Serb caucus, bringing the number of Kosovo Serb-chaired committees to four out of a total of 19. There continues, however, to be a lack of effective minority community participation in the legislative process. Very few legislative initiatives have been proposed by any of the Assembly representatives and by non-Kosovo Albanian representatives. Very few of the approved amendments to Assembly legislation have originated with non-Kosovo Albanian deputies; although rare, amendments suggested by the Committee on the Rights and Interests of Communities were usually approved.

8. In contrast to the Kosovo Assembly, policy-making and legislative development in the municipal assemblies has been slow. Almost all of the municipalities were still primarily concerned with hiring municipal civil servants and setting up municipal committees. In more than half of the municipalities, non-compulsory committees have either not been set up or do not meet; only four municipalities currently have an adequate number of functioning committees. In addition, in about one third of the municipalities, signs of increasing politicization of the civil service recruitment process continued. Some elected municipal representatives have refused to participate in Assembly meetings and committee work owing to their disappointment with the recruitment process and/or seat allocation in the committees. In two municipalities, the budget has still not been approved and in three municipalities there is political gridlock because of the refusal of the major Kosovo Albanian parties to cooperate with each other. UNMIK will consider taking executive action in these municipalities if the stalemate is not resolved, in accordance with chapter 8 of the Constitutional Framework.

9. The functioning of mixed Kosovo Serb-Kosovo Albanian municipal administrations varied considerably. While there was a reasonable level of cooperation in the municipal administrations in Kamenica, Gnjilane, Novo Brdo, Strpce (Gnjilane region) and Kosovo Polje (Pristina region), Kosovo Serbs have been hesitant to take up municipal positions in Vitina (Gnjilane region), owing to repeated security incidents, and in Lipljan (Pristina region). A major political hurdle was overcome in Novo Brdo, where the local branch of the Democratic Party of Kosovo (PDK) decided to join the Kosovo Serb-majority Municipal Assembly. Kosovo Serbs played a constructive role in creating a positive environment for both PDK and the Democratic League of Kosovo (LDK) to join the Municipal Assembly. Many members of LDK and PDK who had earlier refused to take the oath in this municipality have now applied for positions in the local administration.

10. The administrative development of some Provisional Institutions and municipalities remained hampered by the continued operation of Belgrade-supported parallel administrative structures in some parts of Kosovo. Efforts to strengthen such institutional links have been most evident in the health and education sectors. UNMIK is in the process of developing a comprehensive action plan to address parallel structures.

11. In northern Mitrovica, UNMIK has appointed an eight-member Advisory Board, consisting of six Kosovo Serbs, one Kosovo Albanian and one Bosniak. The Board's objective is to help communicate the concerns of residents in northern Mitrovica, who are primarily Kosovo Serbs, to the UNMIK Administration. The Board held its first meeting on 30 May, with the participation of all representatives.

During the meeting, however, the Kosovo Serb representatives objected to the Board's composition. The Kosovo Albanian Mitrovica Municipal President has also expressed his reservations regarding the Board's establishment and functions.

12. The Mitrovica Joint Support and Advisory Team has met five times since 3 April, bringing together the Kosovo Albanian Municipal Education Director and his Kosovo Serb counterpart from the northern part of the town to discuss teacher training for Kosovo Serb education staff. For the past three months, UNMIK has also held weekly meetings of the Mitrovica municipal directors and their counterparts in the UNMIK Administration in northern Mitrovica in the fields of education, health and economic development, including urban planning, industrial zones, agriculture and business development. In addition, meetings have taken place between the fire brigades, the regional water companies and the telecommunications providers in the north and south of the city. The two telecommunications providers have been working together to reconnect customers in minority areas, both Kosovo Serb and Kosovo Albanian.

13. The Council of Europe has continued its work in developing a concept for sustainable reform of local self-government, based on the principles of the European Charter of Local Self-Government. This work, which centres on the need to decentralize decision-making and service delivery, is being carried out in consultation with representatives of the Provisional Institutions, local party leaders and community representatives. The Council of Europe mission is currently deciding which of the five options it has identified would be the most effective. The options range from creating a role for sub-municipal units to strengthening the regional level of local government centred around five to seven urban centres. The mission will present a detailed interim report outlining its recommendations to the Council of Europe on 27 June.

14. There are still no comprehensive figures for the participation of vulnerable groups, minorities and women in the civil service. Overall, minority representation in the Kosovo ministries is estimated to be about 10 per cent. However, this falls to only 1.3 per cent at management levels. The affirmative action plan known as "Community Proportional Representation", which was approved in principle last year by my Special Representative and the Office of the Prime Minister, has yet to be implemented. However, the Office of the Prime Minister has continued to promote minority recruitment through its Outreach Programme. It has succeeded in increasing the number of applications; however, it has so far failed to extend this programme to the other ministries. The employment of minorities in most of the publicly owned and socially owned enterprises remained unsatisfactory; however, the two major publicly owned enterprises, the Kosovo Electricity Company (KEK) and the Post and Telecommunications Company of Kosovo (PTK), have begun to increase the percentage of minority-community staff they employ: 1.2 per cent of the 9,000 KEK employees and nearly 8 per cent of the 2,000 PTK staff are currently from minority communities. Representational ranges for each municipality are still under development; based upon existing overall data, 85.7 per cent of all municipal employees are Kosovo Albanian, 11 per cent are Kosovo Serbs and the remaining 3.2 per cent are non-Serb minorities.

15. On average, the proportion of women in the Kosovo civil service is around 40 per cent at the central level. The newly established Inter-Ministerial Working Group on Gender is considering the employment of gender advisers within each ministry

with a view to, inter alia, initiating programmes for the further promotion of female participation within the ministries. Progress has also been noted in the promotion of gender equality bodies in municipal governance. Seven additional Gender Equality Committees have been established in the municipalities since April. These committees consist mainly of Municipal Assembly members and civil society representatives.

16. Civic education continued at all Albanian-language lower secondary schools; however, the curriculum dates back to the 1995/96 school year. The Ministry of Education, Science and Technology is in the process of developing new civics curricula, to be introduced in schools in September 2003. Civic education is also taught in Serbian-language schools. While all history textbooks (including Serbian-language books) were screened for inflammatory content by an UNMIK-coordinated consortium of experts in 1999, the contents and tone of some Albanian-language textbooks were recently found to be contrary to the principles of developing a multi-ethnic civil society. The Kosovo Ministry of Education is proceeding with measures to eliminate inflammatory and/or emotive material from these history textbooks.

17. The Government is currently finalizing the law on the establishment of the Independent Media Commission, an independent media regulatory body, for submission to the Assembly. Although the journalistic standards in the majority of newspapers remain generally acceptable, some newspapers continue, on occasion, to publish libellous or inciting articles, despite having been warned or fined on previous occasions for such practice. The Temporary Media Commissioner has closed five of the seven cases where complaints were brought against local newspapers and only a small percentage of outstanding fines remains to be collected. No complaints have been filed against broadcasters. Following an intervention by the Commissioner, an apology was addressed to the readers by a newspaper that had published an advertisement commissioned by an ethnic Albanian extremist group.

III. Rule of law

18. Crime rates continue to decrease as the Kosovo Police Service (KPS) becomes more effective. Overall, the crime statistics for the first five months of 2003 showed a continued decrease of serious crimes in Kosovo; however, serious incidents, including murder, continued to take place. The police now receive approximately 1,000 telephone calls per month from people providing information about crimes. However, there have been incidents directed against police and international staff. On 31 May, an explosive device was thrown at Kosovo Force (KFOR) guards in Urosevac; five people, including one KFOR soldier, were injured. On the same day, a KPS vehicle, carrying three Kosovo Serb police officers, was shot at in Novo Brdo; there were no injuries. On 8 May, close to Leposavic, nine shots were fired at an UNMIK Police vehicle; no injuries occurred.

19. While general crime statistics are encouraging, incidents of violence and crimes against minorities continued to be a cause for concern. Three Kosovo Serb residents in Obilic municipality (Pristina region) were murdered in the early morning of 4 June. UNMIK has taken a number of concrete steps to find and bring the perpetrators of this crime to justice, including the establishment of a nine-member Special Police Squad to investigate the crime, working with special

advisers from the Kosovo Serb and Kosovo Albanian communities. UNMIK Police and KFOR have also put in place additional patrols and other security measures such as vehicle checks and increased community policing. Representatives of the Provisional Institutions and Kosovo Albanian and Kosovo Serb leaders have all condemned the murders. The Kosovo Serb former deputy mayor of Klokot was shot dead on 19 May. Among other incidents in the same area, two elderly Kosovo Serbs were assaulted. Incidents of harassment and intimidation directed against minorities continued throughout Kosovo.

20. On 12 April, an explosion caused serious damage to a railway bridge in northern Kosovo, cutting off railway traffic to central Serbia. Two individuals (one of whom was a member of the Kosovo Protection Corps (KPC)), who were reportedly involved in planting the bomb, were killed in the incident. An ethnic Albanian extremist group has claimed responsibility for this attack. Three individuals, including one KPC member, have been detained in connection with the incident. On 17 April, my Special Representative issued an Administrative Direction, pursuant to UNMIK Regulation No. 2001/12 on the Prohibition of Terrorism and Related Offences, determining that this ethnic Albanian extremist group is a terrorist organization as defined by the regulation.

21. Progress has been made in the prosecution of serious criminal acts such as terrorism and war crimes. Panels composed of a majority of international judges heard the first two cases relating to allegations of terrorist activities pursuant to UNMIK Regulation No. 2001/12. Several investigations of allegations of terrorist activities, all conducted by international judges, are also ongoing. In addition, there are three ongoing trials involving allegations of war crimes. Witness protection, however, remains an issue. On 14 April, a Kosovo Albanian who was one of the main prosecution witnesses in the trial of five members of the former Kosovo Liberation Army, was killed in a roadside ambush.

22. One of the main areas of organized criminal activity is prostitution and trafficking in human beings. From 1 January to 26 May 2003, the Trafficking and Prostitution Investigation Unit, consisting of UNMIK Police and KPS officers, arrested a total of 49 people. Since 1 April, eight additional cases of trafficking have been uncovered and 33 establishments or premises have been closed. A shelter to provide interim accommodation and assistance services to victims of trafficking in Kosovo was opened on 16 June. The Mission's Kosovo Organized Crime Bureau (KOCB) continued to develop its operational and investigation capabilities. Plans are under way to develop an organized crime unit, composed of KPS officers, to work in coordination with, and under the supervision of, KOCB. The UNMIK Police have also included KPS in the Counter-Terrorism Task Force, with one KPS officer in each region. The Financial Investigation Unit has conducted its first major search and seizure operation, following an investigation of corrupt practices in a telecommunications public enterprise.

23. The local judiciary continued to deal with 100 per cent of civil and 97 per cent of criminal cases. At present, there are a total of 359 local judges, 46 local prosecutors and 1,337 local court support staff. In the local judiciary, Kosovo Serbs represent 4.8 per cent of all judges and other minorities, including Turkish, Bosniak and Roma, 5.4 per cent. There is only one Kosovo Serb prosecutor and three from other minority communities. Women presently constitute approximately 23.6 per cent of the total judiciary. There are now 260 private defence lawyers who can be

appointed by the courts to assist defendants who cannot afford legal counsel. There are, however, no public defenders employed by the Kosovo Government. There are also 15 international judges and 10 international prosecutors serving in the local justice system who handle approximately 3 per cent of criminal cases. Local judges have increasingly taken responsibility for serious cases pending in the Kosovo courts. As a result, there has been an increasing involvement by international judges in trial panels with a majority of local judges. For example, of the 15 trials under way in the Kosovo District Courts involving international judges, seven are being held before panels, which only include one international judge.

24. Progress continued in developing KPS. An additional police station is now under KPS management in Stimlje (Pristina region), bringing the total number of stations under KPS management to four. An additional eight stations are scheduled for transition to KPS management during 2003. UNMIK Police maintain a monitoring and advisory role at these stations and authority remains with my Special Representative in accordance with chapter 8 of the Constitutional Framework. The operating costs for these four stations are now financed through the Kosovo consolidated budget.

25. The ethnic and gender composition of KPS has remained well balanced. As of 18 June 2003, a total of 5,407 officers were serving with KPS and 4,067 were serving as UNMIK Police officers. One UNMIK Special Police Unit was repatriated during the period under review. Of all the KPS officers, Kosovo Albanians comprised 84.26 per cent, Kosovo Serbs 9.51 per cent and other non-Serb minorities 6.24 per cent; 15.29 per cent of KPS personnel were women. At present, of the 328 KPS officers in supervisory ranks, Kosovo Serbs comprise 7.9 per cent and other minorities 4.9 per cent; women represent 9.45 per cent. There are currently 195 cadets in training, including 63 Kosovo Serb. KPS Human Resources supervises the standards of police recruits and promotions and ensures a balanced ethnic and gender composition. An analysis of applications at the recruitment stage demonstrates the challenges associated with building a well-balanced KPS. Of a total of 72,283 applicants to the KPS School since it opened on 6 September 1999, 91.4 per cent have been Kosovo Albanian and only 5.7 per cent Kosovo Serbs; women represent 7.6 per cent of the total applicants.

26. The Kosovo Correctional Service has a staff of 1,352, of which 86.2 per cent are Kosovo Albanian, 11 per cent Kosovo Serb, 2.8 per cent non-Serb minorities and 18 per cent women. The Penal Management Division plans to increase the total number of staff to 1,688 in order to meet the requirements of the growing prison population and the two new prisons at Lipljan and the additional house block that is being built at Dubrava prison. As of the end of May, the prison population stood at 1,203; it is estimated that by 2006 the prison population will grow to between 1,800 and 2,000. Both the Lipljan Correctional Centre (Pristina region) and the Dubrava Prison (Pec region) now provide psychiatric care to prisoners.

27. UNMIK Police continued to build working relations with their Serbian counterparts pursuant to the Protocol on Police Cooperation signed with the Republic of Serbia and the then Federal Republic of Yugoslavia on 31 May 2002. Further to this agreement, UNMIK Police recently established a third subcommission, on organized crime and terrorism in March 2003. Similarly, police cooperation pursuant to an exchange of letters with the former Yugoslav Republic of Macedonia on 27 November 2002 is expanding through regular contacts and

meetings to facilitate the exchange of information on such issues as borders, organized crime and terrorism. Plans to establish closer cooperation between UNMIK, the former Yugoslav Republic of Macedonia and Albania in the fight against terrorism and extremism were supported by the representatives of these delegations at the 22 May Ohrid Conference on Border Control and Management.

IV. Freedom of movement

28. The civil service bus line, funded from the Special Representative's contingency allocation in the Kosovo consolidated budget, continued to operate, bringing Kosovo Serbs and other minority civil servants to work in Pristina; many are also provided with transport directly by their employers. Of 30 municipalities, only 7 provide transport for minority staff members, 3 of which only do so for teachers and health workers; 2 have conditions allowing the free movement of minorities; and 2 municipalities do not employ minority staff. The UNMIK Humanitarian Transport Service continued to transport a monthly average of 30,000 to 35,000 passengers, mainly Kosovo Serbs. In addition to its daily operation within Kosovo, the service increased the number of connections with onward means of transportation to central Serbia.

29. Despite the relative success of the Kosovo Force's visible escort reduction policy in Kosovo, approximately 15 per cent of the total humanitarian bus service network is still escorted by KFOR or UNMIK Police. These escorts are provided between locations which are still considered volatile. Initially, when the security escort reduction policy was implemented, a significant decrease in the number of passengers was registered. This trend, however, was short-lived and the volume of passengers now exceeds previous levels.

30. The UNMIK "Freedom of Movement" train has expanded its area of operation to include Gracanica, the largest Kosovo Serb-majority area in central Kosovo. Numbers of passengers have, however, decreased since the discontinuation of escorts inside the trains. Many passengers have complained about threats, harassment and intimidation occurring on the trains. The increased use of alternative means of transport, such as private cars, might also account for the decrease. The "Nis Express" was discontinued owing to a sharp decline in the number of passengers.

31. Regardless of the measures taken in favour of minority residents, freedom of movement remained difficult, in particular for the Kosovo Serb community. The explosion, which damaged a railway bridge in Zvecan on 12 April, and the triple murder in Obilic on 4 June will compound the problem by contributing to an increasingly negative perception of security conditions for free movement. Freedom of movement has also been hampered by the decision of the Serbian Government authorities not to sign an agreement on the use of Kosovo licence plates in Serbia proper and by their public calls for Kosovo Serbs not to register their cars with UNMIK. As a result, only 18 vehicles have been registered in northern Mitrovica since the beginning of the process on 29 April. The Mission's vehicle registration campaign in minority areas has also recorded unsatisfactory results. Of the 3,612 vehicles registered by 16 May, Pristina region accounted for 75.4 per cent of the total, followed by Strpce municipality with 6.9 per cent. In contrast, hardly any

registrations have been recorded in the Pec region and only a few dozen in the Gnjilane region.

32. On 13 May, UNMIK and the former Yugoslav Republic of Macedonia reached an agreement on the mutual recognition of vehicle insurance. Accordingly, vehicles with Kosovo licence plates can now travel freely in the former Yugoslav Republic of Macedonia under a single, comprehensive insurance policy. On 22 May, UNMIK and the former Yugoslav Republic of Macedonia also completed an exchange of letters addressing the practical modalities associated with the opening of two temporary local crossing points between Kosovo and the former Yugoslav Republic of Macedonia for local residents.

V. Sustainable returns and minority rights

33. As previously reported, a comprehensive and coordinated framework to support minority returns is in place. During the first five months of 2003, a total of 437 Kosovo Serbs, 330 Roma/Ashkali/Egyptians, 133 Bosniaks, 31 Gorani and 61 Kosovo Albanians returned to areas where they are a minority. The total number of minority returns so far this year exceeds the number in 2002. This is attributable to the improving weather conditions, the enhanced engagement by local authorities and representatives of the internally displaced in the returns process, and the improving structures to facilitate returns. However, there has not been a substantial increase in the overall numbers of minority returns, particularly of Kosovo Serbs. Returns of Kosovo Serbs — in both organized projects and individually — remain at a proportionally lower level than those of other minority groups, owing to both objective and perceived differences in the security risks they face in Kosovo. The murders in Obilic are a serious setback in UNMIK efforts to create conditions for the return of persons to areas where they are a minority, particularly for Kosovo Serbs.

34. Returns issues are increasingly being dealt with effectively at the municipal level, with encouraging signs in terms of the allocation of municipal funds and the engagement of municipal authorities in returns activities. Local authorities currently work on returns through established Municipal Working Groups in all but two of the municipalities, although the extent and level of their participation varies significantly. In 14 municipalities, Municipal Assembly Presidents or Vice-Presidents are actively and constructively working alongside representatives of the displaced community to support returns; in the other 14 municipalities, local authorities are involved, but further commitment is required.

35. Additional steps at both the municipal and central levels, however, are required. While the Prime Minister has continued to demonstrate support for minority rights and returns projects, other prominent officials of the Provisional Institutions have not shown the same level of engagement or visibility. Moreover, the initiative for returns-related activities still rests primarily with the international community, with little spontaneous involvement in these issues by the Provisional Institutions. At the central level, the office of the Inter-Ministerial Coordinator for Returns was expanded to include two additional local professional staff, but the integration of the office's work within the Provisional Institutions remains unsatisfactory. The Ministry of Finance and Economy is currently considering the possibility of directing surplus funds from the 2002 Kosovo consolidated budget to

priority returns needs. If carried out, this would constitute an important shift by the Provisional Institutions from symbolic support for minority returns to concrete investment in the process. To date, while several municipalities have provided concrete support, such as road or water supply improvement in areas in which returns projects are being implemented, no minority returns projects have received direct funding from the Kosovo consolidated budget.

36. Donor pledges for returns projects are beginning to be fulfilled, although a substantial shortfall remains, with only 55 per cent of returns projects funded and a gap of 72 per cent in funding for the United Nations Development Programme-UNMIK Rapid Response Returns Facility, established on 3 June, with the cooperation of the Office of the United Nations High Commissioner for Refugees, which provides housing assistance and socio-economic support to individual returns. Given the demand-driven nature of the returns process, the rapidly expanding number of minority returns projects in development or under way is indicative of a growing interest in returns among the displaced. That demand, however, relates not only to new opportunities for returns to Kosovo, but also to the continuing hardships faced in displacement.

37. A review of "fair-share financing" from municipal budgets reflected a slight and promising improvement. This improvement is all the more notable in that additional compliance measures have been introduced. This is largely attributable to the mandatory requirements contained in the Kosovo consolidated budget and to related enforcement mechanisms. Thus far, five municipalities — Leposavic, Novo Brdo, Pristina, Orahovac and Zvecan — have achieved fair share financing on the three budget lines (wages/salaries, goods and services; health; and education) assessed by UNMIK. Six municipalities have done so in two out of three budget lines and 12 in one budget line. The municipalities of Zubin Potok, Kosovo Polje, Suva Reka and Dragas have not achieved the minimum required allocation even in one budget line.

38. Efforts to encourage integration within the educational system continue to encounter substantial resistance from all sides. There are currently 42 mixed or shared schools, although only eight of these schools house both Kosovo Serb and Kosovo Albanian children (five in Gnjilane, two in Lipljan and one in Orahovac). All 39 Turkish language and Bosniak language schools offer Albanian language as a subject for Bosnian and Turkish students. No schools in the Kosovo Serb or Roma communities offer classes in the Albanian language; schools in the Kosovo Albanian communities do not offer classes in the Serbian language.

39. Minority community members remain unable to use their own language and alphabet throughout Kosovo freely, including in the Provisional Institutions, municipalities and other public bodies. The translation of official municipal publications into all required languages occurs on a regular basis in only seven municipalities. Translation on a limited basis, very often only after a specific request, takes place in 10 municipalities. In 13 municipalities, copies of documents are only provided in the Albanian language. Official signs are reportedly bilingual in only six municipalities; they are only partly bilingual in 13 municipalities, although the Serbian language on these signs has usually been blacked out; and in 14 municipalities there is zero compliance with the requirement to post bilingual signs.

40. Implementation of the debt-forgiveness scheme for indigent electricity service customers has progressed with the collection and consideration of claims in virtually

all municipalities where KEK operates. In order to facilitate greater participation by minority communities in the scheme, the deadline for filing of claims will be extended until the end of August or mid-September 2003. UNMIK is also working with KEK to implement a new policy that will ensure that displaced persons whose homes have been illegally occupied are not held responsible for outstanding debts accrued during their absence.

41. Throughout Kosovo, community dialogue initiatives on issues such as particular returns efforts, village development projects and inter-ethnic tolerance and integration, are occurring. Local non-governmental organizations are becoming increasingly engaged in these projects, a step that is likely to enhance further the success of such initiatives. At the same time, the number of organizations involved in these activities and their relatively piecemeal nature make it difficult to assess whether these programmes are effectively building tolerance at a more global level within Kosovo. To address this concern, a working group of the Advisory Board on Communities is surveying existing dialogue programmes, with the goal of ensuring a more comprehensive and systematic approach to this work in future.

VI. Economy

42. Kosovo continued to make significant progress in developing an economic legislative framework. On 15 April, my Special Representative promulgated the Law on Bankruptcy, which had been adopted by the Kosovo Assembly. Laws on Public Financial Management and Accountability, on External Trade and on Telecommunications, initially adopted by the Assembly in December 2002, were promulgated on 12 May following necessary adjustments to bring them into conformity with resolution 1244 (1999) and the Constitutional Framework.

43. The Economic and Fiscal Council met once since 1 April and discussed, inter alia, the mid-year review process and the funding priority list for the 2002 budget surplus, the fiscal report for March 2003, the status of implementation of the Free Trade Agreement with the former Yugoslav Republic of Macedonia and the draft regulation amending UNMIK regulations in reference to the Central Fiscal Authority. The first round of discussions on a Free Trade Agreement between the Republic of Albania and UNMIK took place on 22 April; an agreement was reached on a framework text and the next round of discussions is planned for the end of June.

44. There have been encouraging signs that Kosovo consolidated budget funds are increasingly generated through internal taxation. The level of voluntary compliance with tax laws — income tax, profit tax, presumptive tax and internal value added tax — has increased owing to the increased capacity of, and number of audits by, the Tax Administration, which is responsible for the implementation and collection of these taxes in order to ensure such compliance. During April and May, the Tax Administration analysed and reconciled the annual tax returns for the 2002 financial year for income and profit taxes. For the profit tax, 1,722 tax returns were filed (which equates to 90 per cent of enterprises registered for profit tax) and the sum of €5.5 million was generated. For the personal income tax, 9,879 employers filed for €4.7 million. Progress has also been made in the fields of anti-corruption, regulation of utilities and auditing.

45. Budget revenues collected from January until May 2003 totalled €174 million (including customs revenue), which corresponds to 34 per cent of the 2003 budget

projections. The positive trend of increasing the share of domestic revenue in comparison to revenue collected at the border continued. Internal taxes accounted for 19 per cent of total revenue in the first quarter of 2003; however, the revenue from both internal and border taxes is subject to change according to seasonal factors. Developments show that the revenue regime is achieving self-reliance in sustaining recurrent public expenditures while providing scope for limited capital expenditures.

46. From 1 January to 1 June, the UNMIK Customs Service collected €150 million in revenue, which is an 11 per cent increase in collections for the same period last year. The rate of detection and interdiction of smuggling offences increased, with enhanced "stop and search powers", and has produced additional revenue as well as a large number of seizures from vehicles illegally crossing the administrative boundary line with Serbia proper. By the end of June, the Customs Service will have increased in size from 415 to 454 staff members (of which 14 per cent are non-Kosovo Albanian).

47. The privatization process has now entered its operational phase. On 9 May, my Special Representative promulgated Regulation No. 2003/13 on the Transformation of the Right of Use to Socially Owned Immovable Property (commonly referred to as the "land use" regulation). This regulation converts the land use rights held by socially owned enterprises into 99-year leaseholds, which can be freely transferred and used as guarantees for securing credits without affecting the underlying ownership title. On 15 May, the Board of the Kosovo Trust Agency (KTA) announced the first six tenders for the privatization of socially owned enterprises. A second group of 12 socially owned enterprises to be tendered for privatization has been prepared by KTA. Any Government, person or entity that asserts that their rights have been adversely affected by the privatization process may submit an appeal to the Special Chamber of the Supreme Court, which has the power for final adjudication of claims, including payment of compensation, from the proceeds of the privatization to claimants whose rights the Special Chamber finds have been violated by the privatization process. The Special Chamber was operational as of 16 June, with three international judges and two local judges. The rules of procedure and directives for claimants wishing to institute proceedings were signed and promulgated on 16 June 2003. Accordingly, public notice has been issued that the Chamber will be able to accept claims.

48. The operation and revenue of the main public utilities providers continued to suffer from high numbers of illegal or unregistered customers. Since 1 January, 66 per cent of all power delivered by KEK has been billed, of which only 57 per cent has been collected. This resulted in a loss of approximately €41 million. Efforts are currently under way to remedy the situation through, inter alia, the introduction of standardized electricity meters, the identification of illegal connections and a "pay for performance" media campaign. For the same time period, public utility providers in the water and waste sectors averaged a billing rate of 83 per cent, with only 53 per cent collected. The post and telecommunications public enterprise has the highest success rate of all the public utility providers, with 100 per cent of all customers billed between January and April and a collection rate of 82 per cent.

49. The Stabilization and Association Process Tracking Mechanism (STM) has begun to play a prominent role in furthering general economic development and structural reforms in Kosovo, as well as in ensuring compatibility with European

standards and best practices. The next meeting of STM is expected to take place on 1 July and will cover selected chapters of Justice and Home Affairs, Media, Telecommunications and Transport.

VII. Property rights

50. The final deadline for submission of claims to the Housing and Property Directorate has been extended by a further month to 1 July 2003. By 1 June, the Directorate received 27,700 claims, of which approximately 13.7 per cent have been resolved, at a rate of approximately 1,000 per month. The next bimonthly session of the Housing and Property Claims Commission, scheduled for the end of June, is expected to resolve a further 2,600 claims and bring the total to over 6,000 claims resolved. The rate of reconsideration of requests for Housing and Property Claims Commission decisions remained at the low level of 3 per cent.

51. In over 75 per cent of cases where property claims have been registered, the Directorate has now notified the purported illegal occupant. The Directorate conducted 400 evictions from 1 April to 15 June. There were two incidents involving threats against staff of the Directorate; on both occasions the evictees were arrested and prosecuted. The destruction of properties following the eviction of illegal tenants remained a serious problem; over the last three months, 12 houses were destroyed. The Directorate currently has approximately 2,500 properties under its administration. The Directorate has initiated a process aimed at involving the municipalities in the management of these properties: this has already been established in the Pristina, Mitrovica and Gnjilane regions. As part of its mandate, the Directorate has also started a survey of abandoned properties.

VIII. Dialogue with Belgrade

52. A meeting of the UNMIK-Serbia and Montenegro High-Ranking Working Group, requested by Belgrade, did not take place owing to preconditions set by the Belgrade delegation before discussion of topics on the official agenda began. As a result, the protocol on the recognition of Kosovo licence plates, referred to earlier, was not signed. This contributed to the creation of a climate that was not conducive to direct dialogue on practical matters between the Kosovo Provisional Institutions and Belgrade. Recently, however, leaders in Belgrade and Pristina have accepted that dialogue on practical issues should begin. My Special Representative discussed the prospect of direct talks with the Serbian Prime Minister, who supported the initiation of talks.

53. Limited, working-level contacts have, however, taken place between representatives of the Provisional Institutions and their Serbian counterparts. In the field of transport and communications, the Permanent Secretary and a department head of the Kosovo Ministry of Transport and Communications met with their Serbian counterparts on the occasion of the Regional Balkan Infrastructure Study meeting in Skopje. They have agreed to discuss further cooperation on the transport of passengers and goods. Regular working contacts in the field of the return of internally displaced persons between the Provisional Institutions, namely the Inter-Ministerial Coordinator on Returns, and Belgrade officials and Serbian refugee councils continued. Cooperation continued in the field of culture; the second

meeting of the Working Group on Cultural Issues, comprising representatives from the Serbian Ministry of Culture and the Kosovo Ministry of Culture, Youth and Sports, took place in May and made progress on issues of preservation of cultural heritage and the return of documentation. Constructive cooperation at the working level between UNMIK and the Belgrade authorities also continued in such areas as police cooperation, cross-boundary repatriation of human remains and exchange of experts and expertise on missing persons. On an ad hoc basis there has been cooperation with Serbian experts on the phenol pollution of the Sitnica River and on the damage assessment of the bombed Zvecan railway bridge.

54. The United Nations Liaison Office in Belgrade and the UNMIK Liaison Office in Belgrade will merge, effective 1 July 2003. The United Nations Office in Belgrade, which will come into effect on 1 July, will retain the reporting and liaison functions of both offices.

IX. Kosovo Protection Corps

55. As a result of the suspected involvement of members of the Kosovo Protection Corps in terrorism and organized crime, particularly since the 12 April bombing of the railway bridge in Zvecan, a travel ban was imposed on KPC members in order to avoid the risk that members associated with extremist organizations might be sent on training missions abroad. The travel ban has since been lifted on a case-by-case basis. A special UNMIK/KFOR Board has been set up to coordinate action against suspected extremist infiltration into KPC. An investigation into the 12 April bombing confirmed that one of the perpetrators who was killed while planting the bomb was a KPC member with ties to an extremist Albanian group that my Special Representative has determined to be a terrorist organization. Another KPC member has been arrested as a suspect in this case. This association has dealt a further blow to the organizations' image as a civil emergency force. After discussing a wide range of possible measures to take against KPC by my Special Representative and the KFOR Commander, the decision was made to demand that KPC should disclose the names of other KPC members who might be associated with this terrorist organization. So far, KPC has only disclosed one name. There is now an ongoing joint UNMIK-KFOR investigation, which aims to identify KPC personnel with links to terrorist organizations, illegal activity and organized crime. This investigation is expected to take three weeks.

56. KPC continued to undertake the necessary restructuring and skill development and training for its members. The strength of KPC currently stands at 2,954 active members (of a total of 3,052 authorized) and 1,740 reserved (of a total of 2,000 authorized). Little progress has been made in addressing property and infrastructure issues; however, the head of KPC has recently submitted a plan to achieve the necessary reductions. The rate of non-compliance with the KPC Disciplinary Code as well as Kosovo laws and regulations is more or less stable in comparison with previous years, with only about 20 per cent of non-compliance cases originating from KPC. However, there has been a marked increase in KPC control of attendance since mid-April and this has resulted in a substantial number of cases.

57. Efforts continued to increase the number of minority KPC members. Minority involvement in KPC still remains minimal despite public statements by KPC leaders and efforts to rectify the situation. Over the past few months, the Kosovo Albanian

head of KPC had several meetings with local Kosovo Serb leaders in Strpce (Gnjilane region), members of the Ashkali community and the UNMIK Office of Returns and Communities to discuss how to improve the integration of Kosovo Serbs and other minorities into KPC. Thirteen Serbs, two Turks, two Croats and one Ashkali have joined, or are in an advanced stage of recruitment into KPC — the Kosovo Serbs despite calls by some representatives of the Serbian leadership in Belgrade and Kosovo Serb leaders for them not to do so. Over 30 per cent of positions set aside for minorities have been filled, although minority members are not present in the higher ranks.

X. Support matters

58. The UNMIK Division of Administration continued to provide the logistical support necessary for the Mission to fulfil its mandate. The Division of Administration continued its close coordination with UNMIK police in the transition of police matters from UNMIK budgetary and logistical support to the Kosovo consolidated budget. The Communications and Information Technology Sections have been combined into one section, thereby increasing efficiency and facilitating a more integrated service to customers.

59. UNMIK will continue to implement its downsizing strategy in view of the budget for the fiscal year 2003-2004, beginning 1 July, which provides for $315 million for the expenses of the Mission. UNMIK planning has been developed in a manner that will ensure that, as non-reserved responsibilities are transferred at the central and local levels, the Mission will retain an overall capacity, in all areas, effectively to exercise its authority under resolution 1244 (1999) and to discharge its powers and responsibilities, including those in the Constitutional Framework. In the transferred areas, UNMIK will retain sufficient staff to have the capacity to oversee or advise the Provisional Institutions and municipalities, as well as intervene when necessary, to ensure that these bodies exercise their responsibilities in compliance with resolution 1244 (1999) and the Constitutional Framework. This has led to an internal reallocation and reduction in some cases of human, financial and logistical resources from areas.

XI. Observations

60. Four years into the Mission's mandate, Kosovo has made significant progress in achieving substantial autonomy and self-government, as required under resolution 1244 (1999); however, major challenges remain. In addressing these challenges, working towards the benchmarks set out by my Special Representative within the framework of the "standards before status" policy remains the guiding principle for the current phase of UNMIK activities.

61. The ongoing transfer to Kosovo's Provisional Institutions of additional responsibilities set out in chapter 5 of the Constitutional Framework is a mechanism for achieving progress against the benchmarks, while also ensuring that the Provisional Institutions are full participants in the process and assume full responsibility for transferred areas of administration. The Transfer Council is proving to be a useful forum for structured discussion and decision on how best to move the transfer forward. Cooperation between UNMIK and the Provisional

Institutions in the context of the Transfer Council has on the whole been concrete and constructive; however, Kosovo Serb representatives in the Provisional Institutions have so far chosen not to attend meetings of the Transfer Council. The transfer of responsibilities is proceeding in a phased manner, so as to ensure that Kosovo's Provisional Institutions have the capacity to assume additional non-reserved responsibilities and are held accountable for delivering effective administration to Kosovo's population in those areas. The transfer process does not affect the powers and responsibilities reserved for my Special Representative in accordance with chapter 8 of the Constitutional Framework, or the overall authority of UNMIK and KFOR under resolution 1244 (1999).

62. The transfer process has also enabled Kosovo's Provisional Institutions to focus in a more effective manner on what is realistically achievable. Kosovo's Government has shown greater emphasis on the implementation of its responsibilities under the Constitutional Framework and Kosovo's Assembly has shown a greater readiness to engage in constructive cooperation with UNMIK, with a view to adopting legislation that is acceptable for promulgation by my Special Representative. However, the Kosovo Assembly continues, on occasion, to show a tendency to go beyond its prescribed institutional role as a legislative body and to adopt positions on symbolic matters, which are clearly beyond the scope of its competencies under the Constitutional Framework. The Assembly's endorsement of a resolution on "war values", which was highly divisive in nature, hinders efforts at cooperation among political representatives of Kosovo's communities in the Provisional Institutions.

63. Although there are encouraging signs of a growing readiness on the part of Kosovo's leaders to back minority returns publicly, much remains to be done to ensure that this commitment translates into concrete backing and support of the returns process throughout Kosovo's Provisional Institutions. This backing should take the form of concrete funding from Kosovo's consolidated budget for activities related to returns and the Provisional Institutions need to ensure that legislation and administrative implementation fully take into account the needs of those wishing to return and, of course, all people in Kosovo regardless of their ethnicity. While some sensitivity to the needs of minorities is beginning to be shown at the central level, where more international pressure is evident, the real challenge lies with the municipalities in areas such as fair-share financing, political participation and language use. At the same time, as inter-ethnic dialogue initiatives and the passage of time seem to be yielding some results, increased levels of inter-ethnic contact provide more opportunities for friction. The process of return and reintegration can be successful and sustainable only if coupled by a genuine willingness on the part of the majority community and minority communities to work together. The continued and strengthened support and funding by the international community for returns to Kosovo is important to ensure that this process moves forward.

64. Establishing the rule of law remains a central challenge for UNMIK, with an increasing focus on the fight against organized crime and terrorist activities. While UNMIK has moved to consolidate Kosovo's law enforcement and judiciary structures, incidents such as the multiple murder in Obilic and the explosion at the railway bridge in Zvecan underscore the continuing threats to the normalization of society and the process of reconciliation among communities. Such acts of violence are unacceptable. Kosovo's leaders and its population must act decisively and concretely to ensure that they do not recur.

65. The process of normalization in Kosovo also depends on the development of a sustainable foundation for economic growth and development. Against this background, UNMIK continues its efforts to create the basis for a sustainable economy, one that is closely connected with those of the rest of the region. In this context, a carefully managed and well-regulated privatization process can provide a solid basis for Kosovo's economic recovery and development.

66. As UNMIK implements its mandate and steers the political process in accordance with resolution 1244 (1999), it faces increasing and competing political pressures. Unilateral calls from Kosovo Albanians, Kosovo Serbs and Belgrade for mutually exclusive approaches to Kosovo's future have continued. Such calls do not contribute to reconciliation and inter-ethnic dialogue. On the one hand, the Kosovo Albanian leadership continues to call for an accelerated path towards Kosovo's independence. On the other hand, Belgrade continues to seek co-governance with UNMIK and, in lending support to parallel structures, supports the boycott of UNMIK policies and programmes. Such public positions do not address the practical realities and challenges faced in normalizing the society in Kosovo and providing for the well-being of its people. Indeed, they can have a detrimental effect on Kosovo's continued progress forward by entrenching mutually exclusive positions and thus undermining opportunities for dialogue and reconciliation.

67. Therefore, I welcome the recent indications that leaders in Pristina and Belgrade are prepared to begin a dialogue on practical issues and I encourage the parties to do so in a genuinely constructive manner, with a view to creating a climate conducive to the implementation of the mandate set out in resolution 1244 (1999). The international community's ongoing support is indispensable for such a dialogue to succeed.

68. UNMIK will continue to focus on the implementation of the mandate, in line with the "standards before status" policy, and on ensuring that all developments in Kosovo remain within the framework of resolution 1244 (1999) and the Constitutional Framework, as well as all applicable law.

69. In conclusion, I would like to express my appreciation for Michael Steiner's contribution to United Nations endeavours in Kosovo and the progress achieved during his tenure, and to the men and women of UNMIK for their commitment and professionalism in carrying out their duties. I would also like to express my appreciation to our partners within UNMIK, the European Union and the Organization for Security and Cooperation in Europe, as well as KFOR, and to the organizations, agencies, contributors and donors for their substantial political and material support in implementing resolution 1244 (1999).

Annex I

A. Composition and strength of the UNMIK Police as at 18 June 2003

Country	*Number*	*Country*	*Number*
Argentina	139	Malaysia	46
Austria	44	Mauritius	5
Bangladesh	74	Nepal	38
Belgium	1	Nigeria	86
Bulgaria	96	Norway	19
Cameroon	20	Pakistan	194
Canada	14	Philippines	62
Czech Republic	16	Poland	124
Denmark	28	Portugal	20
Egypt	62	Romania	175
Fiji	31	Russian Federation	126
Finland	24	Senegal	16
France	78	Slovenia	15
Germany	355	Spain	16
Ghana	31	Sweden	42
Greece	20	Switzerland	11
Hungary	5	Tunisia	6
India	475	Turkey	165
Italy	56	United Kingdom of Great Britain	
Jordan	418	and Northern Ireland	133
Kenya	44	United States of America	476
Kyrgyztan	4	Ukraine	185
Lithuania	8	Zambia	6
Malawi	21	Zimbabwe	37
		Total	**4 067**

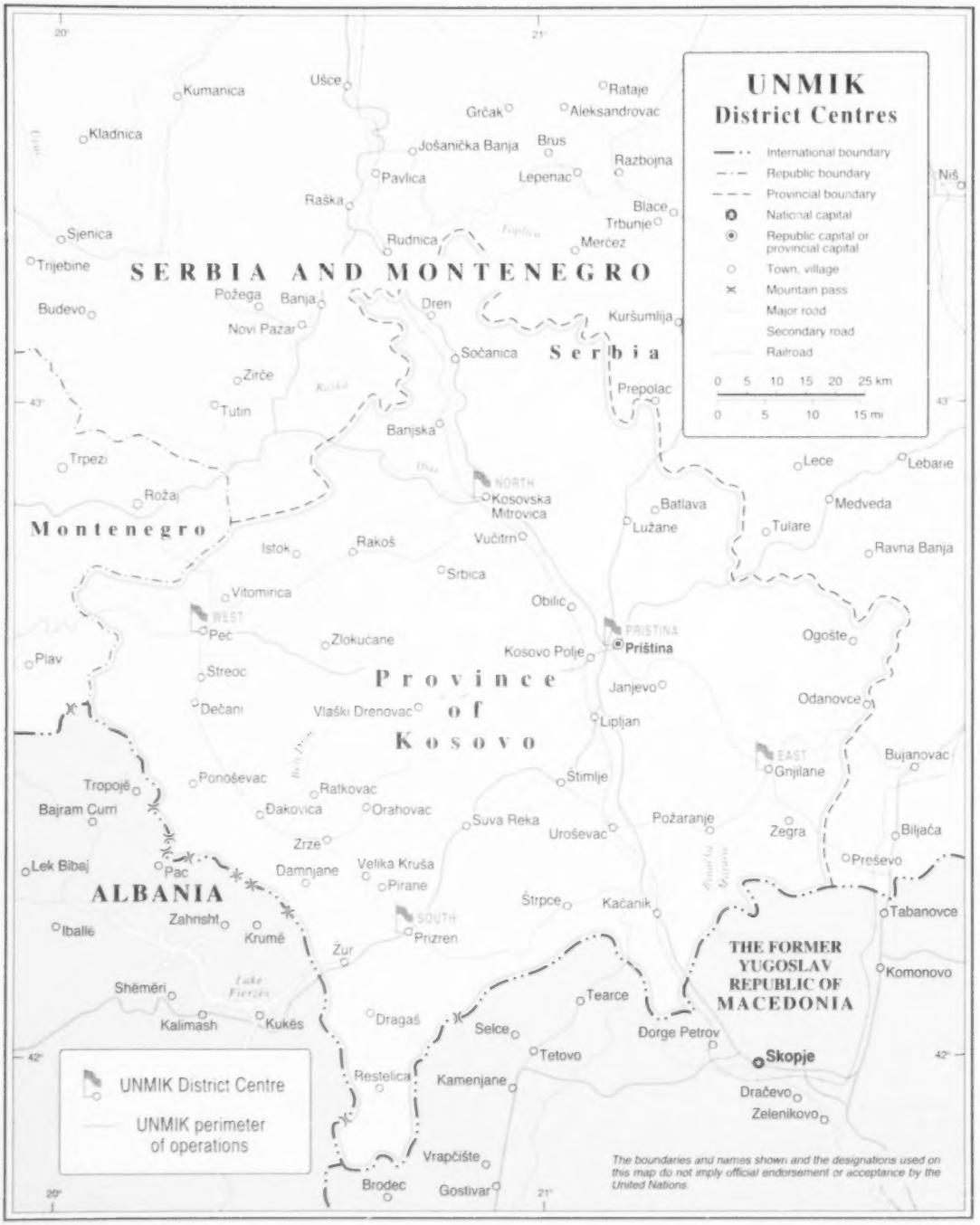
B. Composition of the Kosovo Police Service as at 18 June 2003

Category	*Percentage*	*Number*
Kosovo Albanians	84.26	4 387
Kosovo Serbs	9.51	495
Other ethnic minority members	6.24	325
Total		**5 207**
Men	84.71	4 411
Women	15.29	796

Annex II

Composition and strength of the Military Liaison Component of the United Nations Interim Administration Mission in Kosovo (as at 20 June 2003)

Nationality	*Number of liaison officers*
Argentina	1
Bangladesh	1
Belgium	1
Bolivia	1
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	3
Italy	1
Jordan	1
Kenya	1
Malawi	1
Malaysia	1
Nepal	2
New Zealand	1
Norway	2
Pakistan	1
Poland	1
Romania	1
Russian Federation	2
Spain	2
Switzerland	1
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
United States of America	2
Zambia	1
Total	**38**



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